

**UNITED STATES INTERNATIONAL TRADE COMMISSION**

**COMMERCIAL AVAILABILITY OF APPAREL INPUTS (2004):  
EFFECT OF PROVIDING PREFERENTIAL TREATMENT TO  
APPAREL OF COTTON TWILL FABRIC  
FROM CARIBBEAN BASIN COUNTRIES**

Investigation No. 332-458-012

September 2004



# Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries

## U.S. International Trade Commission Investigation No. 332-458-012

Products	Apparel of cotton twill fabric
Requesting Parties	Fishman & Tobin, Inc., Conshohocken, PA
Date of Commission Report: USTR Public	September 14, 2004 September 2004
Commission Contact	Laura Rodriguez (202-205-3499; laura.rodriguez@usitc.gov)

### NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR  
ON SEPTEMBER 14, 2004. ALL CONFIDENTIAL INFORMATION HAS BEEN  
REMOVED AND REPLACED WITH ASTERISKS (\*\*\*) .

### Summary of Findings

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries from certain cotton twill fabric, regardless of the source of the fabric, likely would have no effect on U.S. fabric producers and their workers, because there currently is no known domestic production of such fabric. According to the petitioner, attempts were made to source the subject fabric from four U.S. fabric producers who reportedly confirmed that they do not currently make the subject fabric. Several U.S. textile producers, however, assert that they can produce the subject fabric. The proposed preferential treatment would likely have little or no effect on U.S. producers of apparel and their workers, but would likely benefit U.S. firms making the apparel in the Caribbean Basin from the fabric and their U.S.-based workers, as well as U.S. consumers.

### Background

On February 2, 2004, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-458, *Commercial Availability of Apparel Inputs (2004): Effect of Providing Preferential Treatment to Apparel from Sub-Saharan African, Caribbean Basin, and Andean Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice regarding the probable economic effect of granting preferential treatment for apparel made from fabrics or yarns that are the subject of petitions filed by interested parties in 2004 with the Committee for the Implementation of Textile Agreements (CITA) under the "commercial availability" provisions of the African Growth and Opportunity Act (AGOA), the United States-Caribbean Basin Trade Partnership Act (CBTPA), and the Andean Trade Promotion and Drug Eradication Act (ATPDEA).<sup>1</sup>

The Commission's advice in this report relates to a petition received by CITA on August 3, 2004, alleging that certain cotton twill fabric cannot be supplied by the domestic industry in commercial quantities in a timely manner. The petitioner requests that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries from such fabric, regardless of the source of the fabric. The

<sup>1</sup> For more information on the investigation, see the Commission's notice of investigation published in the *Federal Register* of Feb. 9, 2004 (69 F.R. 6003) and consult the Commission's website at [www.usitc.gov/332s/shortsup/shortsupintro.htm](http://www.usitc.gov/332s/shortsup/shortsupintro.htm).

President is required to submit a report to the House Committee on Ways and Means and to the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.<sup>2</sup>

## Discussion of the product

The petition states that the fabric is a 100-percent cotton twill fabric for use in boys' and young men's pants and is classified in subheadings 5208.3300.00 and 5209.3200.20 of the Harmonized Tariff Schedule of the United States (HTS), which provide for woven fabrics of cotton, containing 85 percent or more by weight of cotton and weighing either less than or equal to 200 grams per square meter or more than 200 grams per square meter, respectively.<sup>3</sup> The 2004 general rate of duty on the fabric is 8.4 percent ad valorem. The subject fabrics are used by the petitioner in children's and young men's pants, which are classified in HTS chapter 62 (apparel, not knitted or crocheted) and subject to a rate of duty of 16.6 percent ad valorem.

The petitioner, Fishman & Tobin, a designer, manufacturer, and importer of children's clothing,<sup>4</sup> sources the subject fabric from China and uses it in the production of children's garments in the Far East,<sup>5</sup> which are then imported into the United States.<sup>6</sup> The fabric is dyed using a continuous dyeing method<sup>7</sup> and constructed of 3-thread or 4-thread twill, including cross twill, and is woven with two-ply<sup>8</sup> in the warp and fill, of combed cotton ring spun yarns (sizes 40 x 2/21 x 2)<sup>9</sup> in widths of 57/58. The petition states that the fabric is used primarily in high-quality children's and young men's casual pants.<sup>10</sup> The petitioner indicates that the construction of the fabric allows it to do an enzyme wash and still produce a garment that is durable and that has a soft, luxurious hand.

Although limited product pricing information is available, the consensus among trade sources is that the subject cotton twill fabrics made in Asia cost significantly less than those made in the United States.

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<sup>2</sup> In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. The President authorized CITA and USTR to submit the required report to the Congress.

<sup>3</sup> An industry source, \*\*\*, stated that the subject fabric as described in the petition can be classified only under HTS 5209.3200.20 because its characteristics imply that the fabric must weigh more than 200 grams per square meter. "Rough calculations" by \*\*\* confirmed that the fabric as described weighs more than 200 grams per square meter. \*\*\*

<sup>4</sup> Fishman & Tobin reportedly "controls some 90 percent of the boys' dresswear market—offering suits, dress shirts, blazers and pants for the Claiborne, Van Heusen, Arrow and Sean John brands, as well as private label programs." See "The Present: Offering a True Competitive Advantage," *DNR (Daily News Record)*, Fairchild Publications, New York, NY, Aug. 9, 2004 (page 9 of a 19-page advertisement on the firm celebrating 90 years of being in business).

<sup>5</sup> \*\*\*

<sup>6</sup> Information in this paragraph is from the petition and from Gail Cumins, Sharretts, Paley, Carter & Blauvelt, P.C., and Robert Granato, Fishman & Tobin, telephone interviews and email correspondence with Commission staff, Aug. 27-Sept. 2, 2004.

<sup>7</sup> Industry sources note that continuous dyeing is a standard dyeing process for cotton twill fabric that is considered efficient (70-80 yard of fabric can be dyed per minute) and cost effective. The fabrics are pulled through a range and then dipped through a dye, go through a steaming unit where the dye is fixed, and then the fabrics are washed and dried. The quality of continuously dyed products does not differ from products that undergo other dyeing processes. Some mills such as Galey and Lord weave and dye their cotton twill fabrics (as indicated in its written submission); other mills weave cotton twill fabrics and send them out to other mills to be dyed. Telephone interviews by Commission staff with Richard Malachowski, Technical Manger, Cranston Print Works Company, Aug. 25, 2004; Bill Havird, Vice President, Piece Dyed Goods, Mount Vernon Mills, Aug. 12, 2004; and Norman Chapman, Inman Mills, Aug. 26 and Sept. 2, 2004.

<sup>8</sup> Two single yarns (i.e., a group of single filaments or staple fibers twisted or spun into a yarn) that are twisted with each other to form a "plied" or "multiple" or "folded" yarn.

<sup>9</sup> The cotton yarn number indicates the number of 840-yard lengths in a pound of yarn. The higher the cotton yarn number, the lighter and finer the yarn.

<sup>10</sup> According to one of the petitioner's customers, the fabrics are also used in boys' and young men's suit pants and dress pants. \*\*\*, telephone interview by Commission staff, Aug. 30, 2004.

Fishman & Tobin states that \*\*\*.<sup>11</sup> A leading U.S. producer of cotton twill fabrics, Galey & Lord, states that it sells a cotton twill fabric that is similar to the subject fabric \*\*\*.<sup>12</sup>

## **Discussion of affected U.S. industries, workers, and consumers**

### ***Yarn producers***

Commission staff contacted six yarn producers identified by industry representatives as possible sources of yarn of a kind used to make the subject fabric: Buhler Quality Yarn Corp., Jefferson, GA; National Textiles, LLC, Winston-Salem, NC; Parkdale Mills, Gastonia, NC; R.L. Stowe Mills, Inc., Belmont, NC; Wellstone Mills, Greenville, SC; and Swift Spinning, Columbus, GA.

An official with R.L. Stowe Mills stated that the firm produces combed cotton ring spun yarn in the 40 x 2/21 x 2 size of a kind used in the subject fabric, \*\*\*.<sup>13</sup>

An official with Swift Spinning stated that the firm produces combed cotton ring spun yarn \*\*\*, but does not currently produce the yarn used in the subject fabric. \*\*\*<sup>14 15</sup>

An official with Parkdale Mills stated that the company produces combed cotton ring spun yarn \*\*\*, but that it currently does not produce yarn of this size. Nevertheless, the firm claims that it could easily produce and deliver such yarns \*\*\*. Parkdale Mills's representative noted that such yarn is readily available in the United States and that 40s yarns are a commodity item and not difficult to make.<sup>16</sup>

An official with Buhler Quality Yarn Corp. stated that the firm does not currently produce the 40 x 2/21 x 2 yarn \*\*\*. It noted that such yarn is "pretty standard" and requires standard production.<sup>17</sup> A representative with National Textiles, LLC stated that the firm does not \*\*\* produce the subject yarn \*\*\*.<sup>18</sup> A Wellstone Mills representative stated that the firm produces a variety of cotton ring spun yarns, \*\*\*. He stated that plied yarns require more labor-intensive production than singles yarns and therefore are expensive. Asian mills can sell such yarns for 5 or 10 cents per pound less than those made in the United States.<sup>19</sup>

### ***Fabric producers***

Commission staff contacted seven fabric producers identified in the petition or by industry sources as possible producers of the subject fabrics: Galey & Lord, Greensboro, NC; Mount Vernon Mills, Greenville, SC; Delta Mills Marketing, Inc., Greenville, SC; Avondale Mills Inc., Graniteville, SC; Milliken & Co.,<sup>20</sup> Spartanburg, SC; Inman Mills, Inman, SC; and Greenwood Mills, Greenwood, SC. Fishman & Tobin stated that it contacted four fabric mills (Milliken & Co., Mount Vernon Mills, Avondale Mills, Inc., and Delta Mills Marketing, Inc.) in an effort to source the subject fabric domestically and that these firms replied that they do not currently produce the subject fabric. Also, Fishman & Tobin stated that when it inquired about sourcing the subject fabric from another mill, \*\*\*.<sup>21</sup> In separate telephone interviews conducted by

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<sup>13</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

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<sup>15</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

<sup>16</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

<sup>17</sup> \*\*\*, telephone interview by Commission staff, Aug. 27, 2004.

<sup>18</sup> \*\*\*, telephone interview by Commission staff, Aug. 30, 2004.

<sup>19</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

<sup>20</sup> Milliken indicated that it does not produce the 100-percent cotton twill fabric specified in the petition. \*\*\*, telephone interview by Commission staff, Aug. 18, 2004.

<sup>21</sup> Bob Granato, Fishman & Tobin, email to Commission staff, Sept. 3, 2004.

Commission staff, officials of Delta Mills Marketing and three other fabric mills indicated that they could produce the subject fabric if they received an order.

Galey & Lord submitted a written statement to the Commission voicing its objection to the petition. Although Galey & Lord states that it does not currently produce the subject fabric, it asserts that "it is a leading vertical producer (includes weaving and finishing) of twill in the U.S. with annual production of over \*\*\* yards" and that it "has made over the years other twill fabrics of ring spun plied yarns with constructions close to that specified in the petition." Galey & Lord states that it weaves at its McDowell plant in McDowell County, North Carolina and dyes and finishes the fabric at its Society Hill plant in Society Hill, South Carolina. Galey & Lord asserts that it produces large quantities of 100-percent cotton twill and is ready to produce the fabrics requested by the petitioner in commercial quantities in a timely manner. Galey & Lord notes that it currently manufactures in commercial quantities for a domestic customer a 100-percent cotton twill of 124 x 57 construction from ring spun 40s plied yarn in the warp and ring spun 30s plied in the filling, and also has made samples for two domestic customers of a 100-percent cotton twill of 141 x 72 construction from the ring spun 40s plied yarn in the warp and ring spun 20s singles in the filling. Galey & Lord states that the constructions of the cotton twill fabrics that it currently produces and the samples it has made "bracket the petitioners' construction and can be readily adjusted to the petitioner's specifications; the warp yarns are identical and the filling yarns can easily be adjusted to 20s plied." Galey & Lord asserts that "we will be readily able to manufacture the precise construction that the petitioner seeks...If we were to get a request from a potential customer for a sample of the fabrics described in the petition, we would be able to submit a sample from within several weeks, or sooner, if it is in our stock inventory. If the customer were to place a commercial order, we would be able to fulfill it in 12 weeks."<sup>22</sup>

An official of Mount Vernon Mills stated that the company does not produce the subject fabric; \*\*\*.<sup>23</sup>

An official of Delta Mills Marketing stated that the firm makes numerous cotton fabrics that are classified under HTS subheading 5209.32.00, but not the fabric named in the petition. The official stated that the firm could easily make the product, but that it has not received an order for it. \*\*\*<sup>24</sup>

An official of Avondale Mills stated that the firm produces cotton twill fabrics but not the fabrics specified in the petition. \*\*\*<sup>25</sup>

An official of Milliken Mills indicated that the firm does not produce the fabric specified in the petition.<sup>26</sup>

An official of Inman Mills stated that the firm makes all kinds of cotton twill fabrics using combed cotton 40s yarns (that are readily available from R.L. Stowe Mills and other yarn producers) \*\*\*, but they do not currently produce the subject fabrics \*\*\*.<sup>27</sup>

An official of Greenwood Mills stated that the firm makes cotton twill fabrics but that it does not currently make the fabric specified in the petition because it does not have an order for it. Greenwood Mills produces fabrics in response to orders. He also stated the firm has the capacity to produce the fabric, \*\*\*.<sup>28</sup>

### **Apparel Retailers**

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<sup>22</sup> Information in this paragraph is from the written submission to the Commission from Galey & Lord, Aug. 26, 2004 and from Carlos Moore on behalf of Galey & Lord, telephone interviews by Commission staff, Aug. 23 and Aug. 26, 2004.

<sup>23</sup> \*\*\*, telephone interview by Commission staff, Aug. 12, 2004.

<sup>24</sup> \*\*\*, telephone interview by Commission staff, Aug. 25, 2004.

<sup>25</sup> \*\*\*, telephone interview by Commission staff, Aug. 18, 2004.

<sup>26</sup> \*\*\*, telephone interviews by Commission staff, Aug. 18, 2004.

<sup>27</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

<sup>28</sup> \*\*\*, telephone interview by Commission staff, Aug. 26, 2004.

\*\*\* is one of the petitioner's customers for apparel that is made from the fabric named in the petition. An official of \*\*\* stated that the company requests the use of certain specialty fabrics such as the subject fabric for its lines of boys' and young men's dress pants and suit pants. He noted that the company seeks these fabrics for the "look and texture" they impart to the apparel that differs from the fabrics used in its casual twill pants. The subject fabrics are used in the higher-end jackets and pants that are sold under \*\*\* private label brands. \*\*\* requests different specialty fabrics for different seasons and styles which change frequently from season to season and within a season. \*\*\* request for the subject fabric "is not a constant" and is not necessarily a part of its "core program." The \*\*\* official noted that the firm has several core programs with the petitioner for products that it knows are produced in Central America.<sup>29</sup> The petitioner states that production in the Caribbean gives it a quicker response and more control over production and that \*\*\*.<sup>30</sup>

\*\*\* is another of the petitioner's customers for apparel made from the fabric named in the petition. \*\*\* confirmed that it requests the use of the fabric named in the petition for certain boys' and young men's pants that it carries. \*\*\* stated that because of its compact construction and the plied yarns used to produce it, the subject fabric "can take abuse" and gives the garments durability as well as a "slick, smooth hand" which \*\*\* considers important for building loyalty among its private label customers. He stated that there is a trend toward using fabrics of tighter construction and \*\*\* intention is "to make a tougher, better pant." \*\*\* estimated that the firm's market for apparel made from the subject cotton twill fabrics is about \*\*\*. He estimates that the apparel market demand for the subject cotton twill fabrics is about 1 to 3 percent of the total cotton twill pants market. \*\*\* stated that he believes that there is little production of ring-spun combed cotton yarns in the United States and that U.S. mills are not competitive in this product. Instead, U.S. mills excel in producing open-end spun yarns and other coarser yarns and fabrics that have simple, coarser construction (e.g., denim). He also stated that he believes that U.S. textile mills are not getting orders for the subject fabric because they are not price competitive with imported fabrics.<sup>31</sup>

### **Views of interested parties**

The Commission received a written submission in opposition to the petition from Galey & Lord, which stated that it produces large quantities of 100-percent cotton twill and is ready to produce the fabrics requested by the petitioner in commercial quantities in a timely manner (see earlier discussion for information on Galey & Lord).

### **Probable economic effect advice<sup>32</sup>**

The Commission's analysis indicates that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible CBTPA beneficiary countries from the subject fabric, regardless of the source of the fabric, would likely have no effect on U.S. producers of fabric, because there is no known domestic production of the subject fabric. Furthermore, it is not likely that the U.S. textile firms that reportedly have the technical capacity to produce the subject fabric would receive orders from U.S. apparel producers because of their competitive disadvantage in terms of price compared with imports of the subject fabric from Asia. Although there is U.S. production of the type of yarn used in the fabric, since there is no known current U.S. production of the subject fabric from the yarn, there would likely be no adverse effect on U.S. producers of the yarn.

The proposed preferential treatment would likely have little or no effect on U.S. producers of apparel containing the subject fabric, and on their employees. Any increase in imports would likely displace U.S.

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<sup>29</sup> \*\*\* , telephone interview by Commission staff, Aug. 30, 2004.

<sup>30</sup> \*\*\* , email to Commission staff, Aug. 23, 2004.

<sup>31</sup> \*\*\* , telephone interviews by Commission staff, Aug. 30, 2004 and Sept. 2, 2004.

<sup>32</sup> The Commission's advice is based on information currently available to the Commission.

imports from other countries because it is believed that the U.S. market for such apparel is small and supplied largely by imports. However, U.S. firms making apparel in eligible CBTPA countries and their U.S.-based workers would likely benefit from the proposed preferential treatment. The proposed preferential treatment also would likely benefit U.S. apparel retailers and their employees as well as U.S. consumers of apparel made from the subject fabric to the extent that importers pass on some of the duty savings to retail consumers.